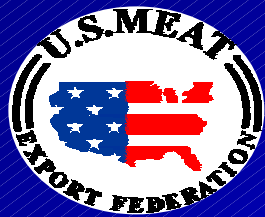


# THE MEAT SECTOR OUTLOOK IN UNCERTAIN TIMES

Richard Fritz

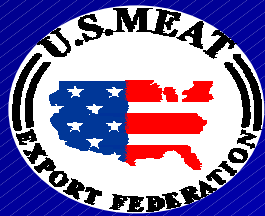
U.S. Meat Export Federation



# Presentation Outline

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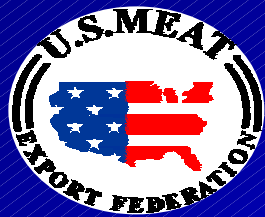
- U.S. Meat Export Federation (USMEF)
- Export History and Projections
- Strategic Priorities and Issues of Major Concern
- Marketing In Uncertain Times



# History and Mission

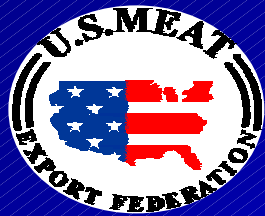
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USMEF's mission has evolved over the years and is *"to increase the value and profitability of the U.S. beef, pork and lamb industries by enhancing demand for their products in targeted export markets through a dynamic partnership of all stakeholders"*.



# A True Federation

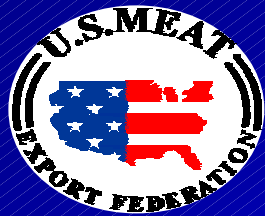
- USMEF has more than 200 dues-paying members including:
  - **National agri-organizations** (National Cattlemen's Beef Association, National Pork Board, United Soybean Board, National Corn Growers Association & American Farm Bureau Federation)
  - **Private Industry** (Excel, IBP, ConAgra, Smithfield, Simplot, Sara Lee, Johnsonville & John Morrell)
  - **State agri-organizations** (Nebraska Beef Council, Iowa Pork Producers Council, South Dakota Soybean Council & Kansas Grain Sorghum Commission)
  - **Supply & Service Organizations** (Elanco Animal Health, Chicago Mercantile Exchange, Illinois Department of Agriculture, Pioneer, a Dupont Company)



# Fact Based Marketing

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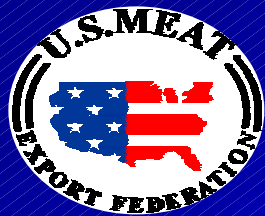
- Extensive network of offices and consultants overseas
- Gallup surveys of consumer attitudes
- Third party surveys to drill down to individual issues/concerns raised in the Gallup surveys
- Importer/Exporter surveys
- Market and competitor research
- Quantitative analysis
- Evaluations



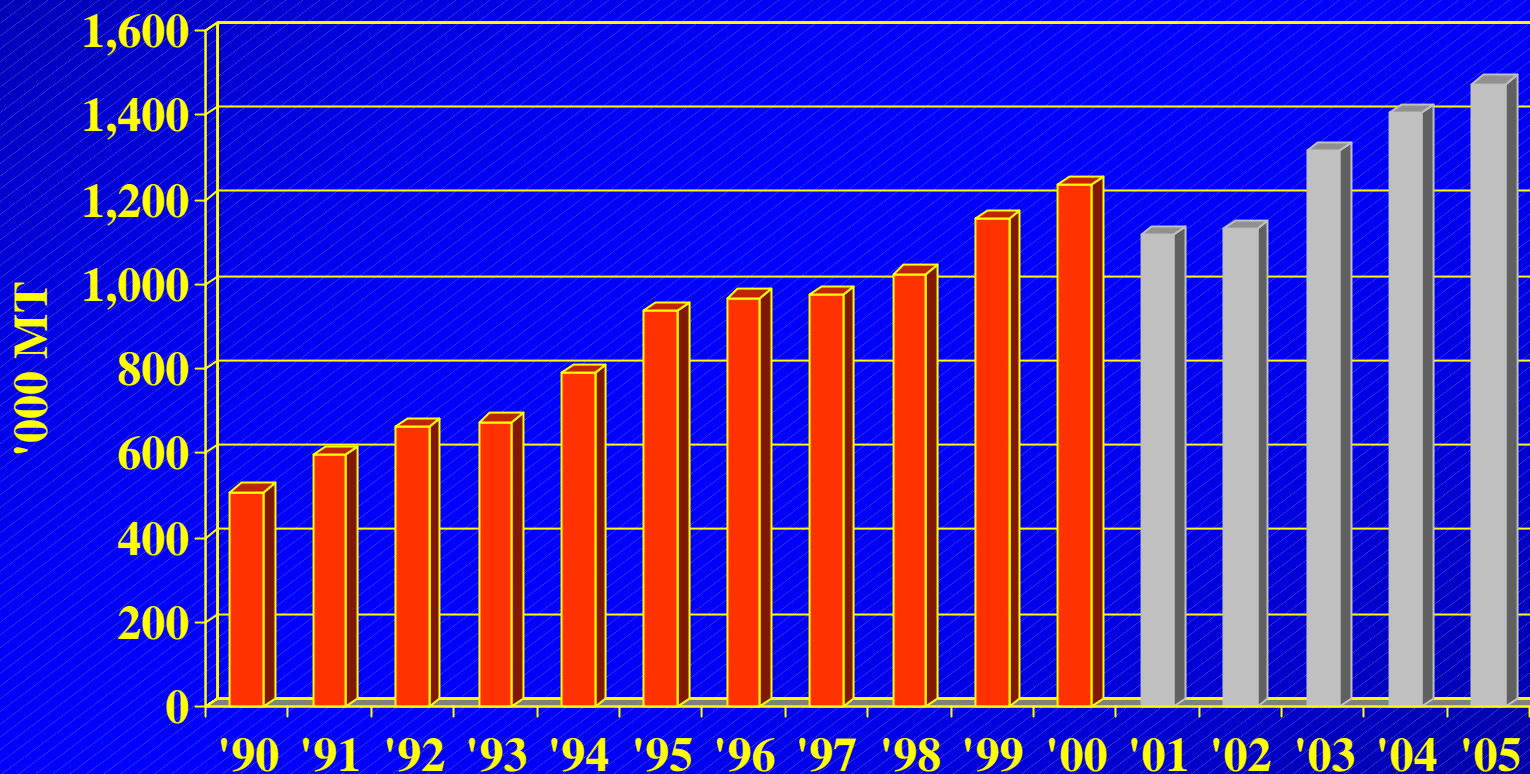
# Export History and Projections

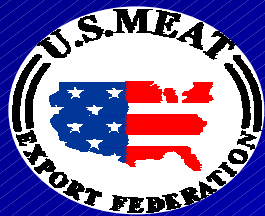
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- Beef
- Pork
- Variety Meats

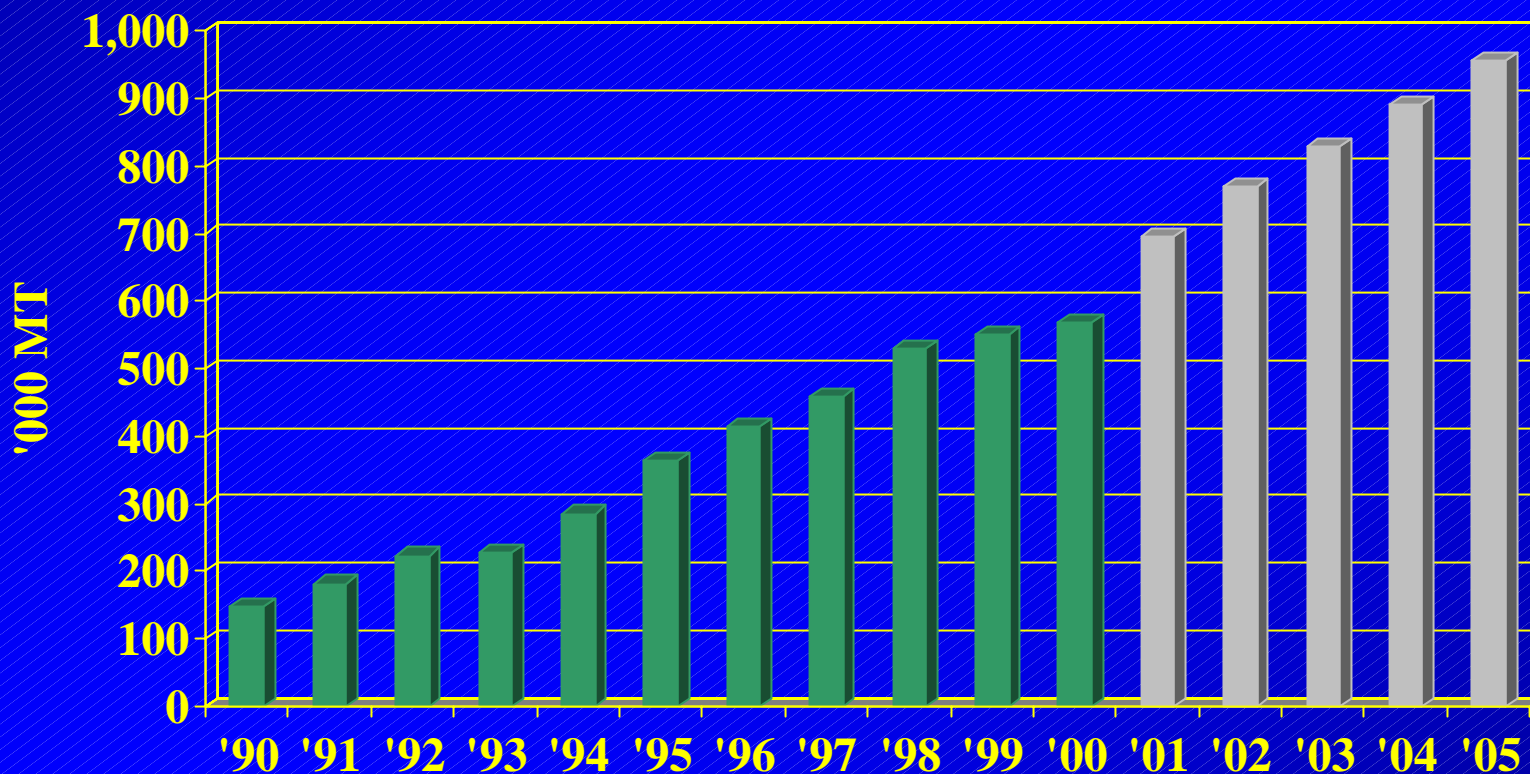


# U.S. Exports of Beef and Variety Meats 1990-2005

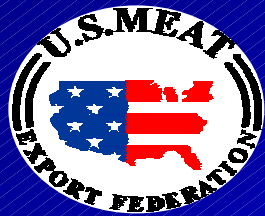




# U.S. Exports of Pork and Variety Meats 1990-2005

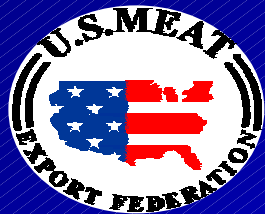




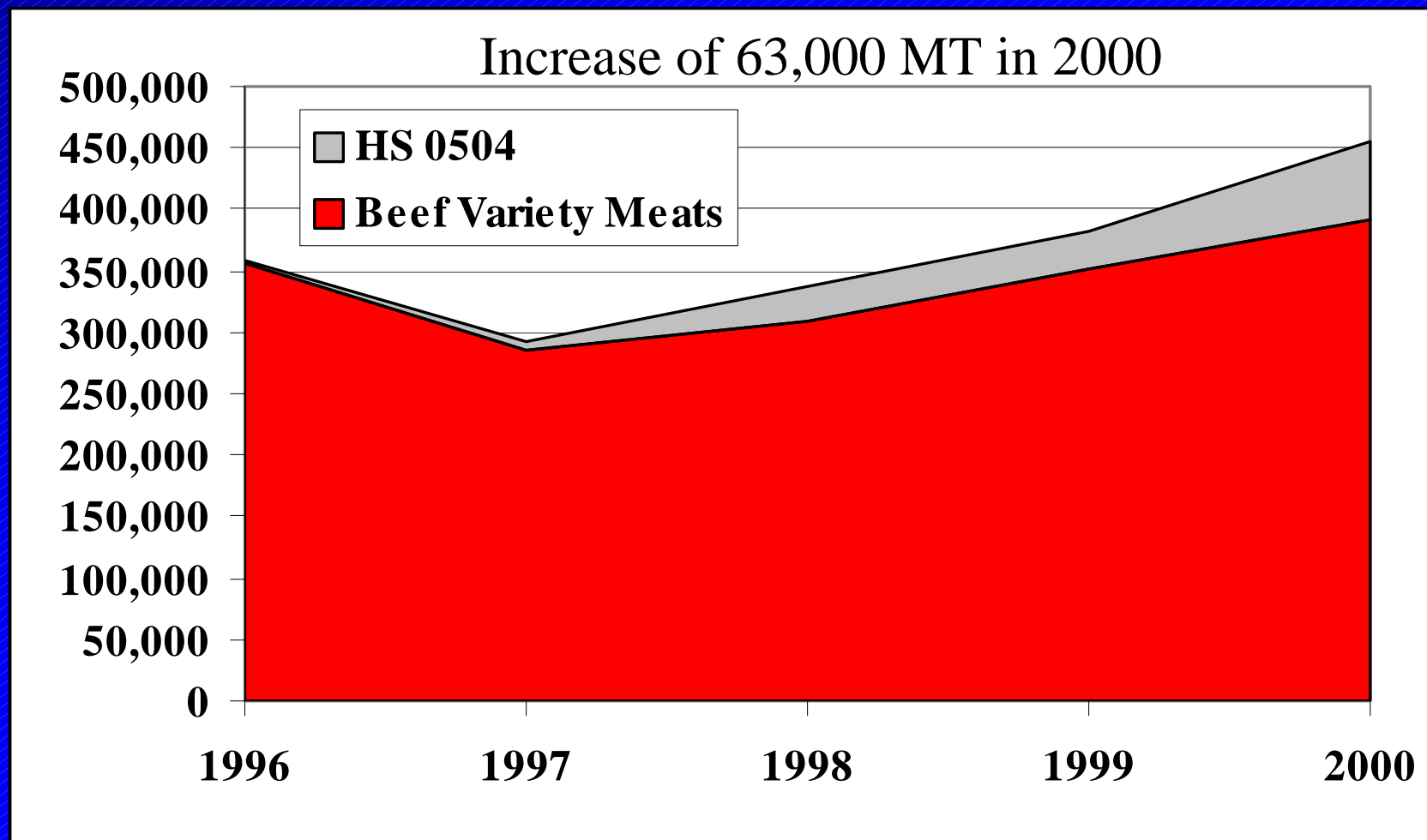


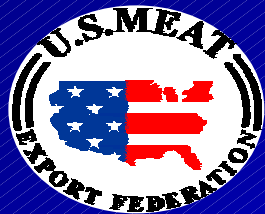
# How HS Codes Work

- Harmonized System codes (HS codes)
- Meat: 02, Frozen Boneless Beef: 020230
- U.S. Exports of Beef and BVM
  - 0201: fresh beef
  - 0202: frozen beef
  - 0206: offal
  - 1602: processed
- HS codes “harmonized” globally at 6-digits
- 0504: “Guts, etc. not of fish”
  - Stomach, intestines

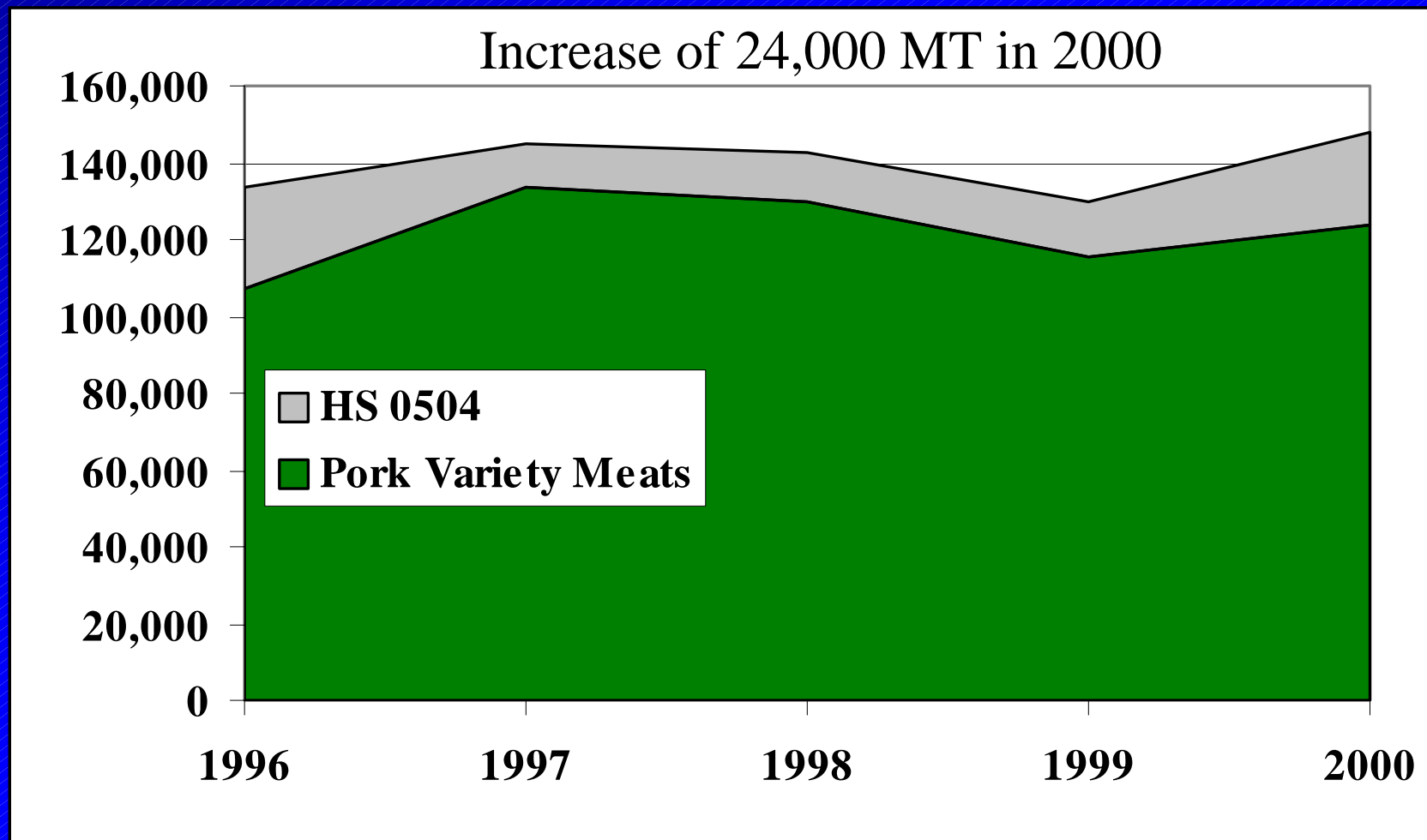


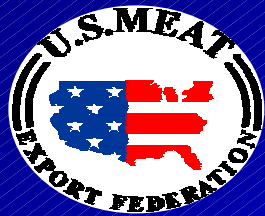
# Adding HS 0504 to BVM Exports





# Adding HS 0504 to PVM Exports

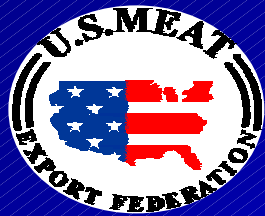




# Revisions to Major Markets

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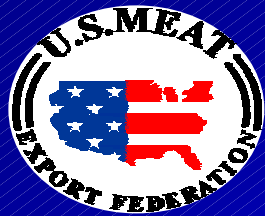
- China PVM: +11,000 MT
- Mexico PVM: +7,000 MT
- Mexico BVM: +32,000 MT
- Japan BVM: +22,000 MT
- *Mexico Pork Skin: +42,000*



# What to do Going Forward

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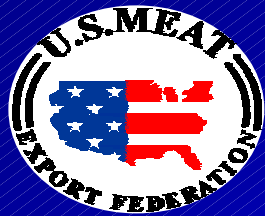
- USMEF will revise historical data and forecasts to account for HS 0504
- USMEF will develop classification guidelines for exporters and freight forwarders
- Explore changes to the HS code system



# Strategic Priorities and Issues of Major Concern

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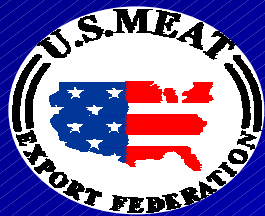
- Consumer Concerns
- Trade Concerns
- Additional Programs



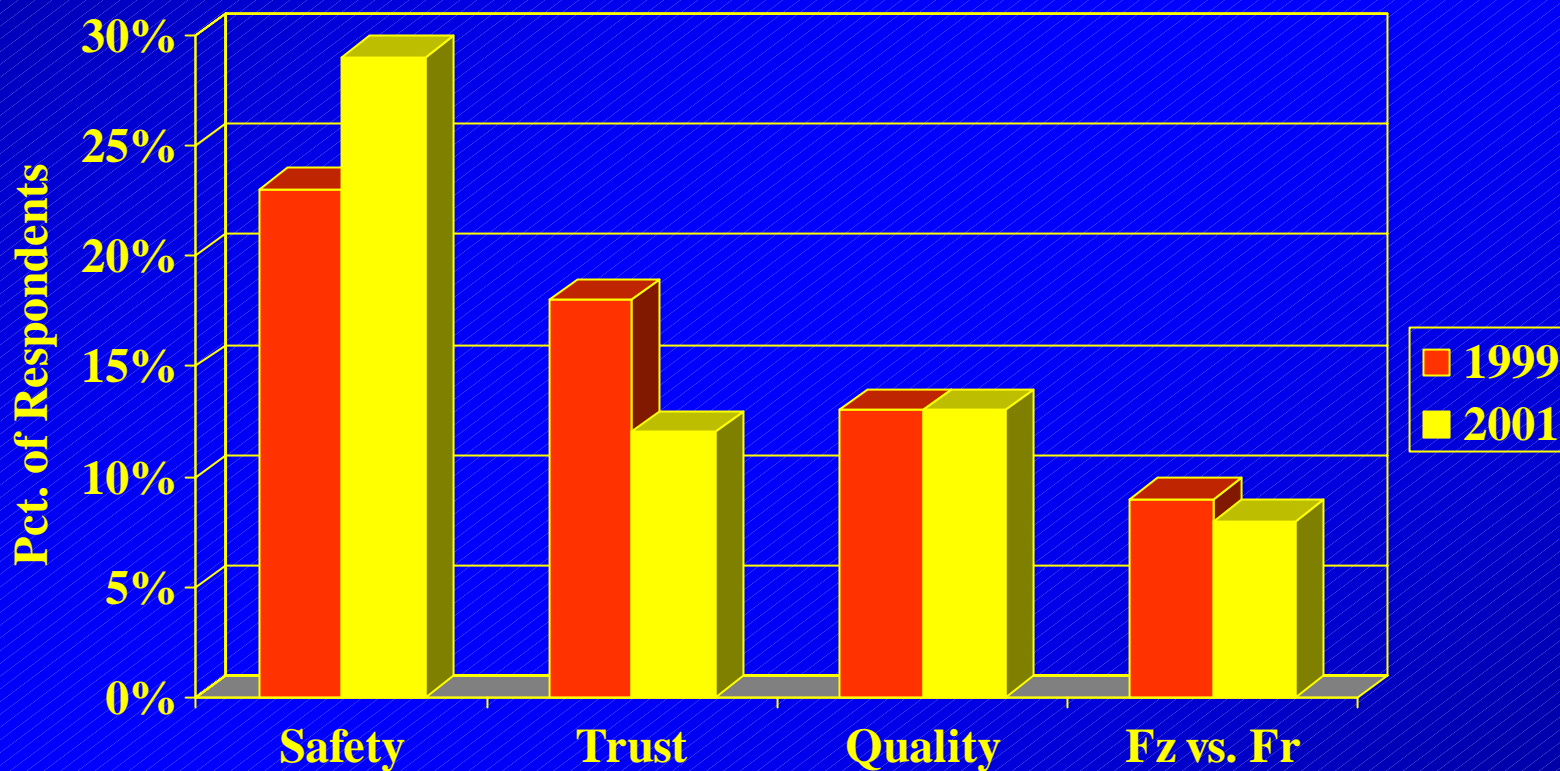
# *Consumer Concerns*

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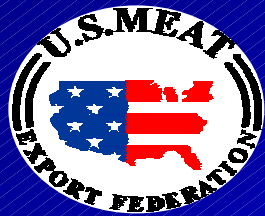
- Lack of trust of imported product
- Product Safety
- Fresh vs. frozen product
- Quality and Taste
- Labeling?



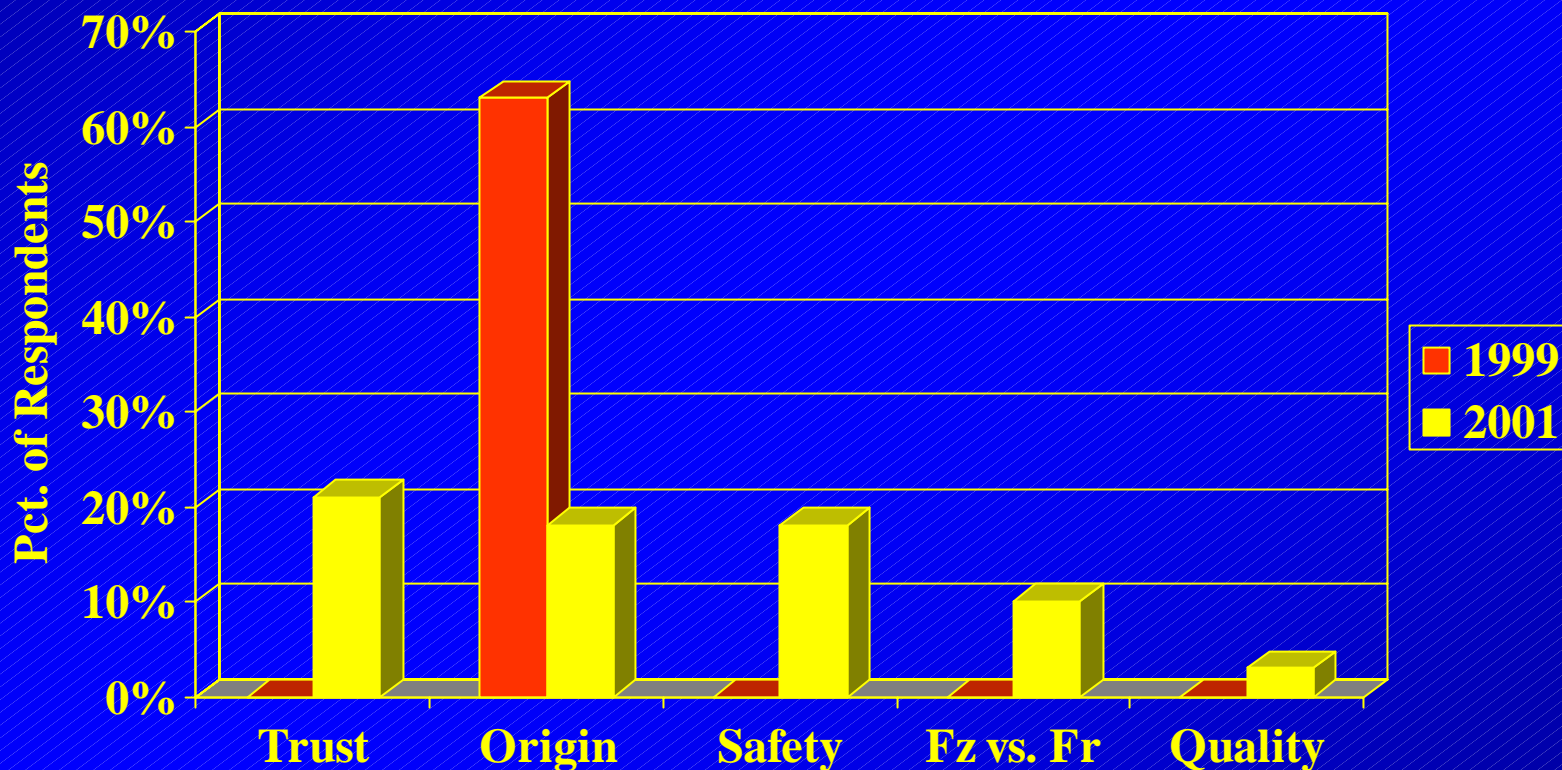
# Why U.S. Beef not Considered

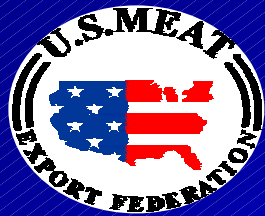




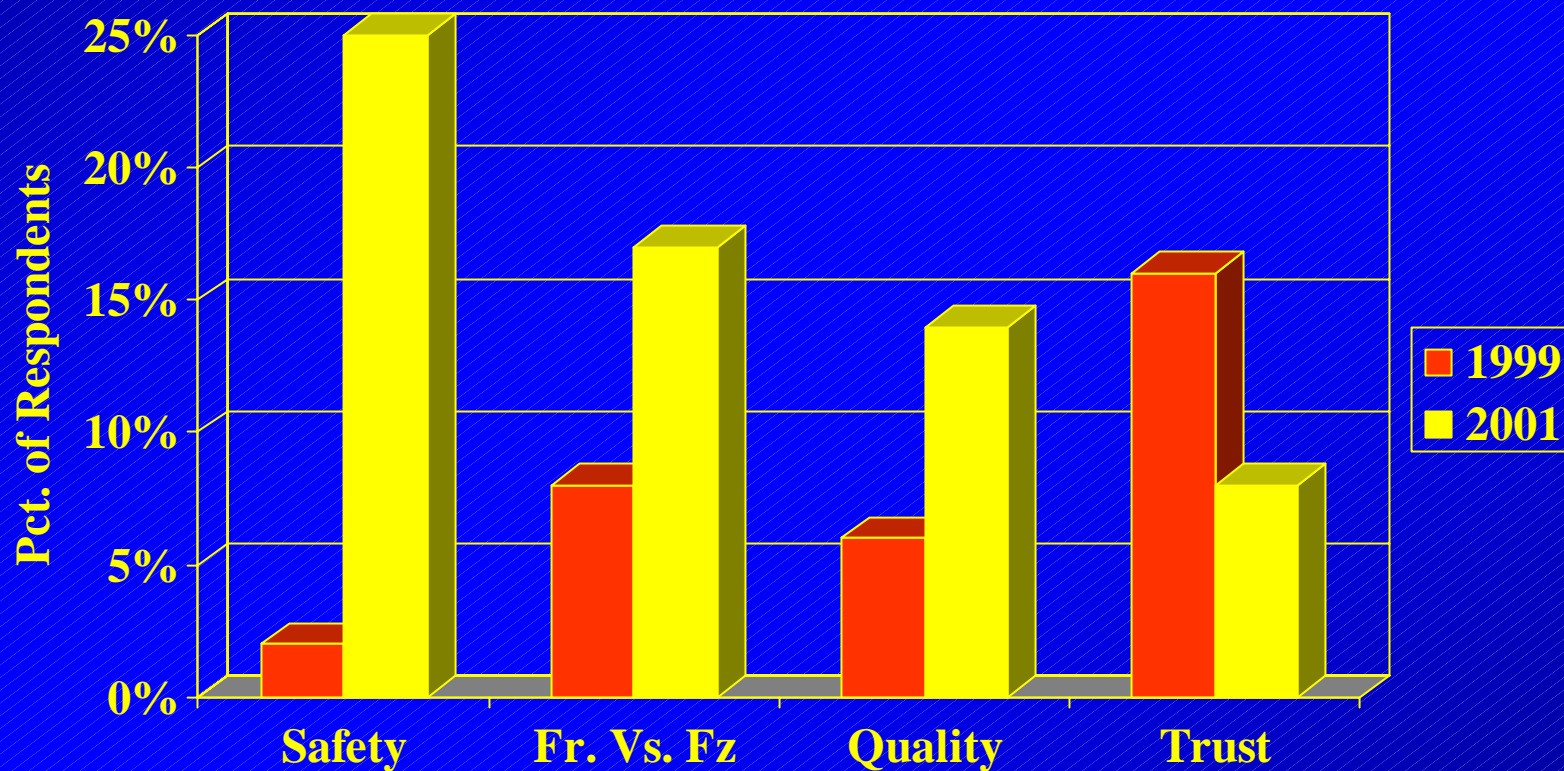


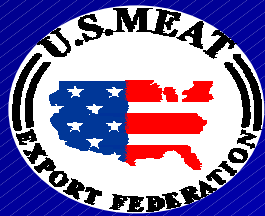
# Why U.S. Beef not Purchased



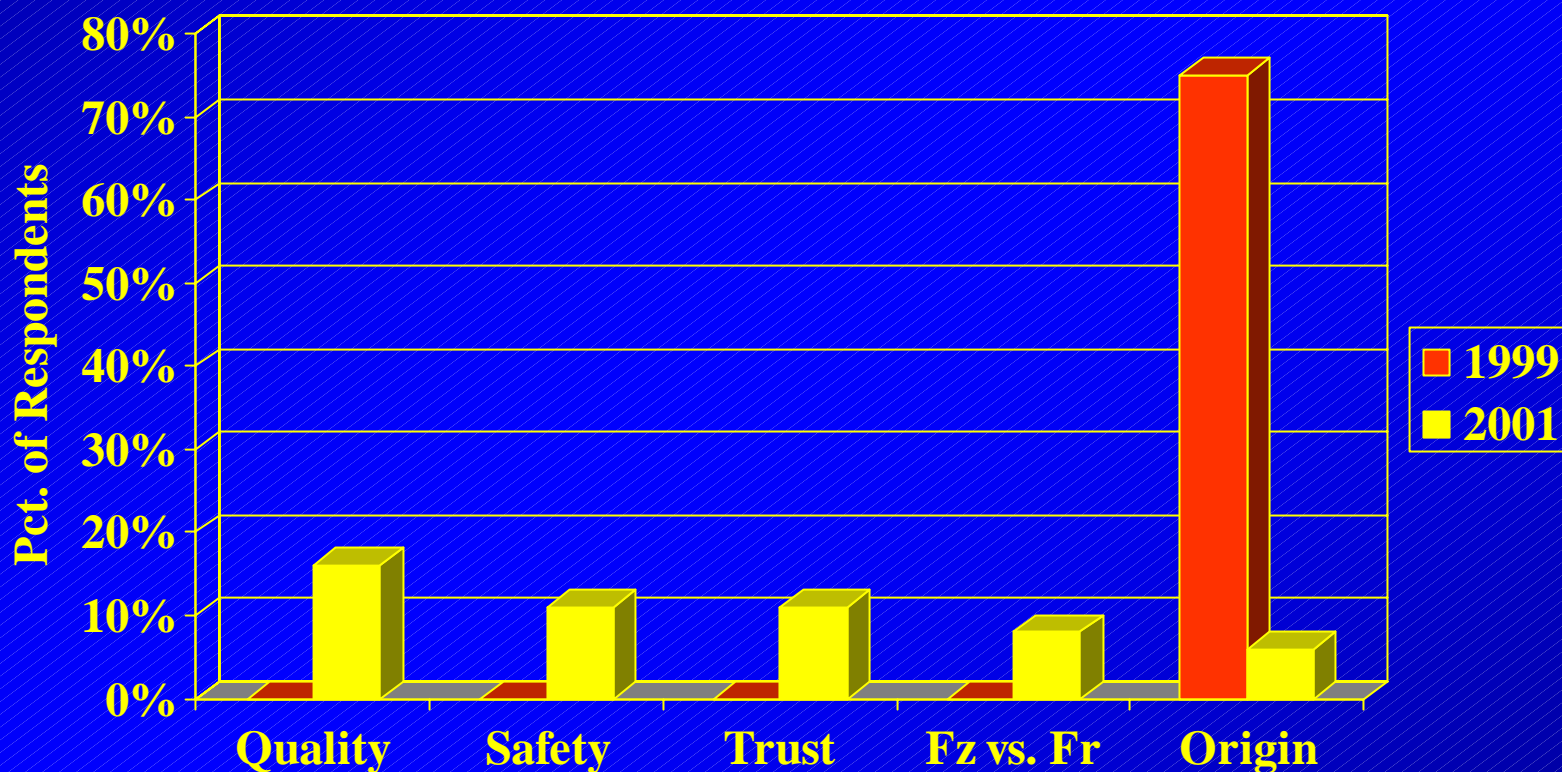


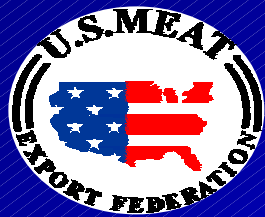
# Why U.S. Pork not Considered





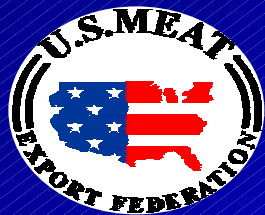
# Why U.S. Pork not Purchased





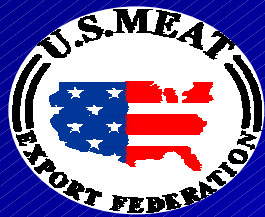
# Lack of Trust / Safety

- Lack of trust of imported product leads to safety concerns
- Trust and Safety are now a top priority of consumers as compared to 1999
- USMEF established a Food Safety Bureau in Japan, June 2001
- USMEF is focusing on food safety issues in consumer and trade education activities (HACCP)
- Trace back. Is it viable for the beef and pork industry?
- Source and Process verified



# Producer Identification in Japan

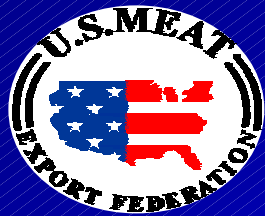




# Quality and Taste

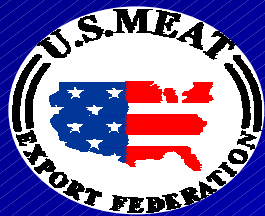
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- Consumers continue to have concerns about quality and taste
- USMEF results shared with producer groups that look at new research toward quality improvement
- Training at USMEF “meat schools”
- Chef training, consumer promotions



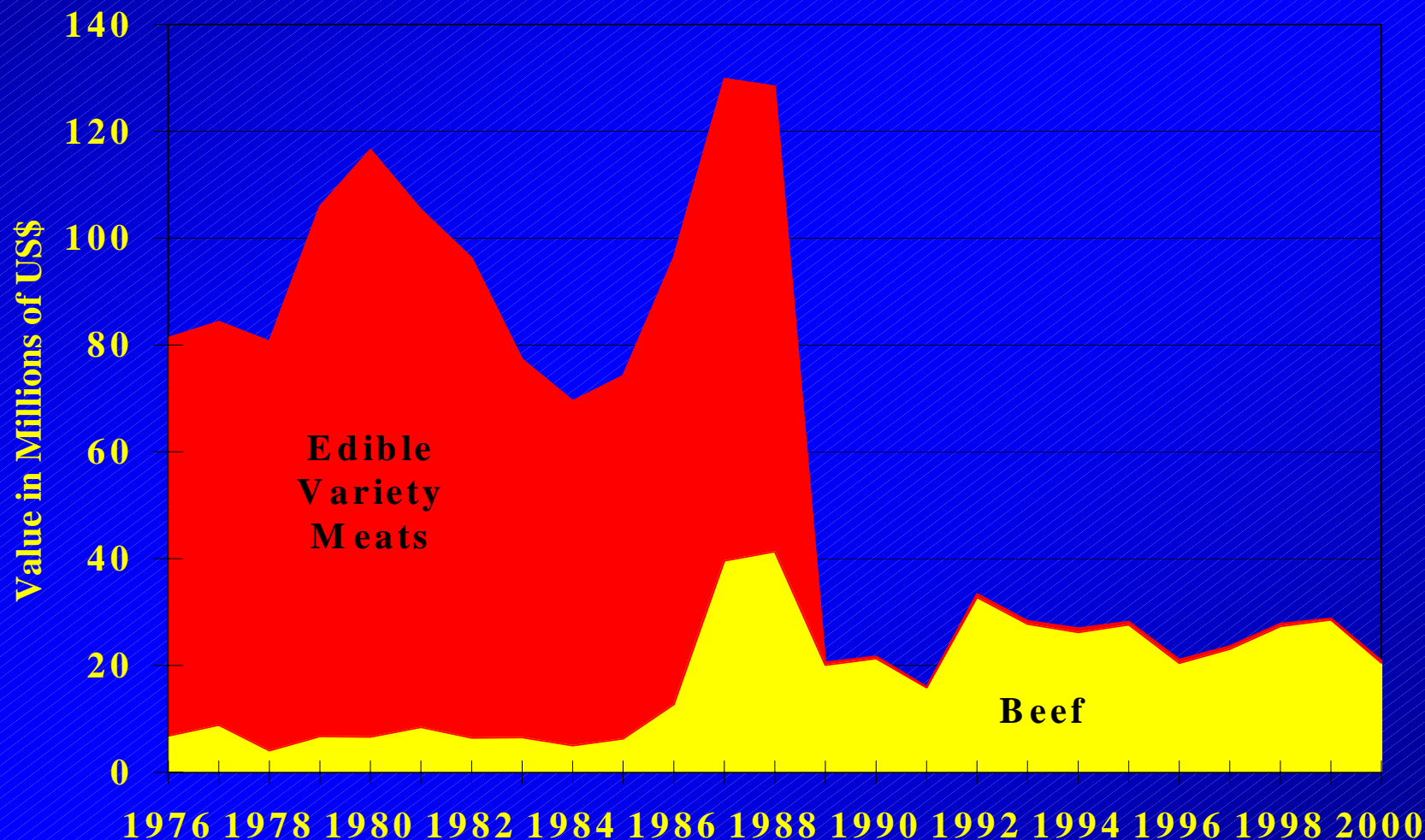
# Labeling

- Consumers do not rate country of origin as the primary issue as they did in 1999.
- Consumers want to know what happened in the process, not where it happened
- USMEF supports the AMS certification programs (50+ in place today)
- Branding is a key, but difficult and can be expensive to achieve

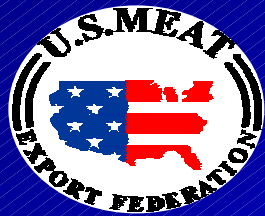


# Trade Damages Example

## The EU Hormone Ban



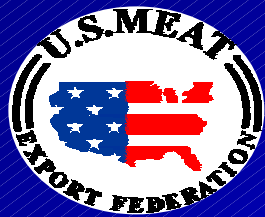




## *Trade Concerns*

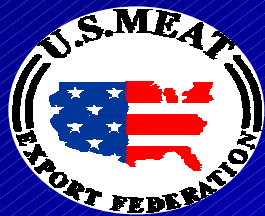
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- Market Access
- Hormone/GMO Constraints
- Maintaining Animal Health
- Strong Dollar



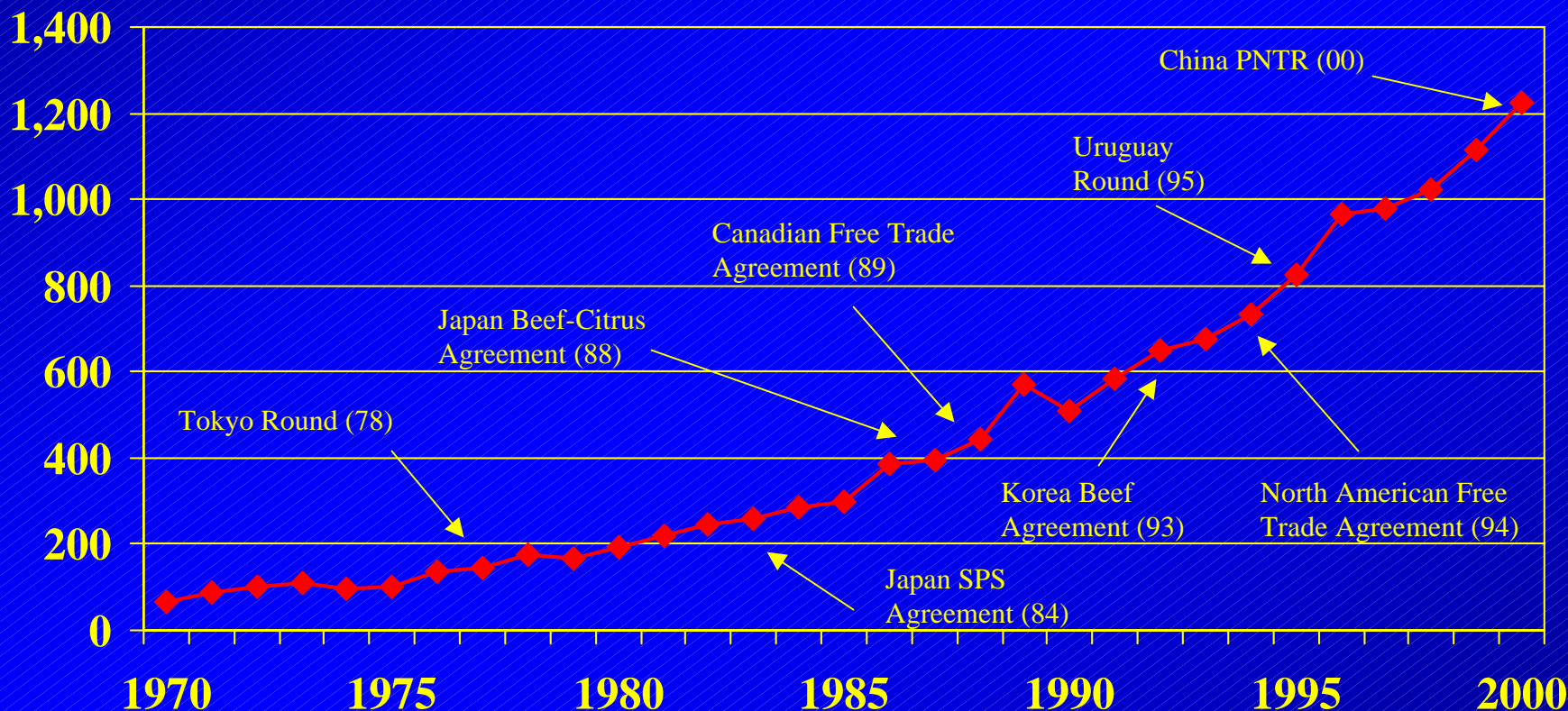
# Market Access

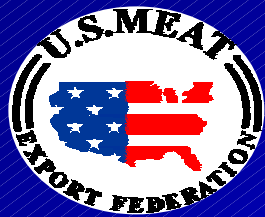
- Market Access is the key to future export growth
- NCBA and NPB are the industry voice on policy, USMEF works the technical issues
- WTO
- FTAs
- Bi-laterals
- SPS and TBT resolutions



# U.S. Beef Exports 1970-2000

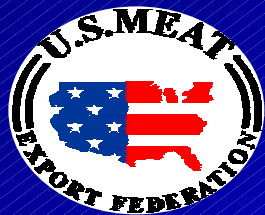
(1,000 MT)





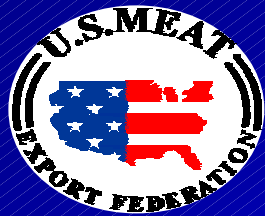
# Fresh vs. Frozen

- Overseas consumers continue to call for “fresh” product
- Can an imported product ever be “fresh”?
- Does fresh product conflict with food safety and/or product integrity?
- Testing consumer attitudes directly against domestic product
- Intensive surveying and in-store tests



# Market Access Grid

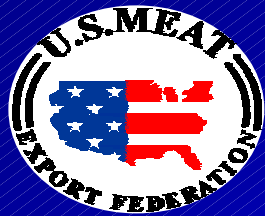
Country	Products	Issue	Trade Damage	Tariffs	Status
Australia	Pork	Ban on imports of uncooked pork from countries with PRRS, PRV, TGE)and Aujesky's Disease	\$2-3 million	Zero rate of duty on pork.	Ban remains in effect pending completion of risk assessments by Australian government. USDA has recently requested that a separate risk assessment for the U.S. be conducted on a faster track.
Barbados	Pork and Beef	Trade restrictive import duties	\$500,000-650,000	Pork: 207% - 210% Beef: 40%	Import market liberalized in April 2000, but duties were set at trade restrictive levels.
Brazil	Beef	Trade restrictive import requirements	\$15-20 million	Beef 13%	Bureaucratic requirements applied to importers are limiting import volumes.
Chile	Beef	Restrictive grading regulations	\$10-12 million	Beef 11%	Chile requires that all beef sold through commercial channels carry a Chilean grade. Talks between USDA and Chile have failed to reach agreement that Chile will recognize USDA grades as equivalent to Chilean grades.



# Approved Compound Use

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- Does science rule in the mind of the consumer?
- Does science rule in the halls of foreign governments?
- USMEF is working more closely with the livestock and pharmaceutical industry
- Submit comments on MRLs to foreign governments

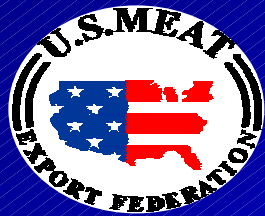


# Maintaining Animal Health

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- Maintaining herd health is a primary concern
- A health problem will hurt the domestic and international marketing efforts
- USMEF continues to work with importers to describe US animal care practices
- USMEF reminds consumers of industry standards (BSE free, etc)

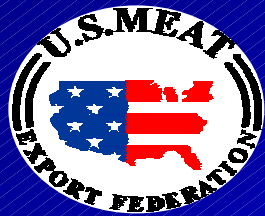




# Strong Dollar

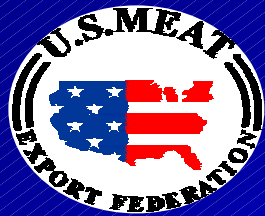
- The strong dollar does pose significant challenges
- Export credit seminars for our members
- Promotion of lower cost cuts
- Educate retail and HRI trade regarding dollar returns per cut (profit planner)
- Educate trade about select US cuts verses similar competitor products





# Additional Programs

- Working with the competition to increase overall demand
- Market research identifying emerging markets



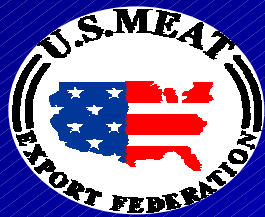
# Co-opetition

## Situation

- Concept of Co-opetition growing in importance.

## USMEF Response

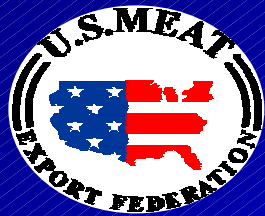
- USMEF is working with competition in Japan, Taiwan and Mexico to develop joint campaigns that will benefit all participants.



# Market Research

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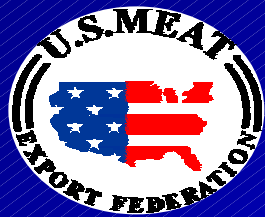
- How does an organization identify new markets?
- Development of a “potential demand index”
- Greater mining of public data- domestic and foreign
- Cut-by-cut analysis
- Greater cooperation with packers and exporters



# Marketing In Uncertain Times

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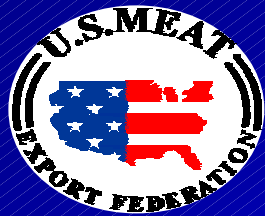
- Increase the size of the market for all but fight for shelf space
- Build importer and processor loyalty
- Continually educate the consumer



# Marketing In Uncertain Times

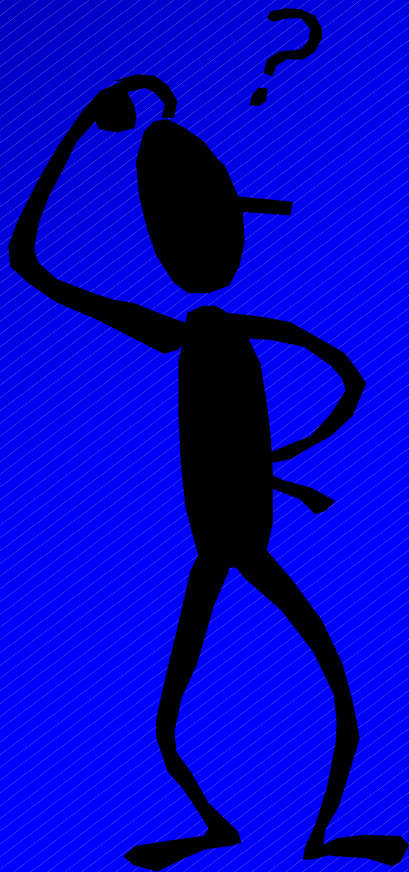
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- The U.S. industry is meeting the challenges
- Exports will continue to expand, but at a declining rate
- Market access is the key
- Inform the consumer about food safety
- Listen and meet other consumer demands (freshness, safety, nutrition, etc)
- Look for the market niche to offset price increases



# Thank You

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- Questions?
  - Contact Richard Fritz
  - 303-623-6328
  - Visit [usmef.org](http://usmef.org)